



FINANCE COMMITTEE

CITY COUNCIL

MONDAY, JANUARY 5, 2009

CITY COUNCIL OFFICE

5:00 p.m.

AGENDA

Committee: J. Waltman, Chair, S. Fuhs, M. Baez

- 1. Blue Ribbon Panel** **5:00 pm**
- 2. Review Revised 2009 Budget** **5:30 p.m.**
- 3. Review 2009 Financial Initiatives** **6:00 p.m.**
- 4. Water & Utility Billing** **6:30 pm**
- 5. Findings from 2008 External Audit** **7:00 pm**
- 6. Discuss - City Core Services, Programs** **7:30 pm**
 - a. Areas of focus**
 - b. What we should no longer focus on**
 - c. Cost of selected programs and services**
- 7. Discuss/Review Charter Budget Sections**
 - a. limitations/restrictions default budget**
 - b. clarification of timelines**

R e s o l u t i o n N o . _____

The Council of the City of Reading hereby resolves as follows:

To establish and empower a Blue Ribbon Panel to review the City's Comprehensive Plan and to review the function and operations of the City's Finance Department and City Auditor's Office.

The Blue Ribbon Panel will be a team of no less than nine and no more than thirteen; seven members will be appointed by City Council and the remaining members will be appointed by the Mayor, with the approval of Council. The Blue Ribbon Panel will be assisted by the City's Managing Director, or his designee, the City Auditor, or his designee and 2 representatives of City Council, selected by the President of Council.

The Blue Ribbon Panel asked to undertake the following tasks:

- By April 1, 2009 provide feedback to City Council and the Administration on the City's Financial Plan, along with proposed amendments, and
- By August 1, 2009 provide a report on the operation and function of the City's Finance Department to City Council and the Administration, including suggestions that will improve efficiency, and
- By October 1, 2009 provide a report on the operation and function of the City Auditor's Office to City Council and the Administration, including suggestions that improve the effectiveness and efficiency of this office.

Adopted by Council on _____, 2009

Vaughn D. Spencer
President of Council

Attest:

Linda A. Kelleher
City Clerk

Potential Blue Ribbon Panelists

Mayor:

1. Karen Miller
2. Sue Perroti
3. Gust Zogas
4. Judy Schwank
5. Kevin Murphy
6. Mike Fromm

Council:

1. Paul Roedel
2. Commissioner Kevin Barnhart
3. Commissioner Christian Leinbach
4. Dennis Kelly, Business Manager Reading School District
5. William Dennis, County Manager
6. Eric Jenkins, Briggs Hardware
7. Paul Marrella
8. Frederick Levering
9. Alan Shuman, Shuman Development
10. Eric Schippers, Penn National Gaming
11. Timothy Trout, Controller Elite Sportswear
12. James Lillis, Esq., Kozloff Stout
13. Peter Connors, President Connors Investor Services
14. Richard Purcell, CPA Beard Miller LLP
15. Alfred Weber, Tweed-Weber Inc.
16. Glen Yeager, Utilities Employees Credit Union
17. Bill Gage, Gage Temp Services
18. Fred Mogel, Mogel, Speidel, Bobb & Kershner

**Empowerment Team appointed by Reading School District
to develop School Improvement and Financial Stability Plan**

- Paul Roedel, Chairman
- Anthony Armo, Business Community, Community at Large
- Ken Christian, School Board President
- Jacqueline Cooper, Parent
- Donna Glaze, Parent
- Melissa Jamula, RSD Superintendent
- Douglas Kauffman, Reading High School Principal
- Marlin Miller, Business Community
- Robert Schoch, RSD Director Finance and Operations
- Mark Scott, County Commissioner
- Marilyn Seiders, RSD Teacher

December 24, 2008

Dear :

In this time of financial struggle, municipalities large and small are being challenged to continue to provide essential services to their residents while keeping within severe budget constraints.

This administration and the Council of the City of Reading realize we are facing significant fiscal challenges as we enter the New Year. Furthermore we are aware that we must find new revenue sources at the same time that we explore very substantial limits on our expenses.

To explore options and to help bring about the dialog necessary to address these issues, we are asking for your help in being part of a Blue Ribbon Panel to review our current and projected financial situation.

In addition, we would like to share with you some of the steps we are proposing to take to maintain a viable core community in the City of Reading.

We need your input, your guidance and the benefit of your experience as a respected member of our community. We know that you also are well aware of the importance of a strong core community as part of a successful Greater Reading.

The Blue Ribbon Panel will consist of no less than nine members, who will be assisted by the City's Managing Director or his designee and the City Auditor or his designee.

This panel is a cooperative effort between the City Council and the Administration with five members appointed by City Council and four members appointed by the Mayor.

We anticipate that the panel will have an initial session of about three hours, and we then ask that you allocate up to two hours per month over the next year to assist us.

Our goal is to have the panel begin its review by January 31, 2009.

Be assured that we appreciate that the time commitment we are asking of you is significant and we would be most grateful for your acceptance of a position on this panel.

Feel free to contact either of us for more details. We look forward to hearing from you as soon as possible.

Sincerely,

THOMAS M MCMAHON
Mayor
610-655-6234

VAUGHN D SPENCER
Council President
610-655-6204

§902. Submission of Balanced Budget and Capital Program.

On or before 90 days prior to the ensuing fiscal year the department heads will submit proposed budget and capital program to the Managing Director. On or before 60 days prior to the ensuing fiscal year the Mayor will submit to the City Council a balanced budget, capital program, and an accompanying message. The proposed balanced budget and capital program shall be in such form as the Mayor deems desirable, unless otherwise required by Council. (*Charter*, 11/3/1993, §902)

§903. Budget Message.

The budget shall be accompanied by a message which shall include:

- A. An explanation of the expenditures and revenues in the proposed budget, indicating and explaining major changes from the current year and the prior year.
- B. An outline of proposed programs and an explanation of new, expanded, or abolished programs or functions.
- C. A summary of the City's debt position.
- D. Such other material that will inform the Council and the public of municipal goals.

(*Charter*, 11/3/1993, §903)

§904. Budget.

The budget shall provide a complete financial plan of all City funds and activities for the ensuing fiscal year in accordance with all generally accepted accounting principles and, except as required by this Charter, shall be in such form as the Mayor deems desirable or the Council may require. In organizing the budget, the Mayor shall utilize the most feasible combination of expenditure classification by fund, organization unit, program, purpose or activity, and object. The budget shall contain, among other things, the following:

- A. It shall begin with a general summary of its contents.
- B. It shall show in detail all estimated income, indicating the existing and proposed tax levies, as well as other assessments, fees and charges.
- C. It shall show all proposed expenditures, including debt service, for the ensuing fiscal year.
- D. It shall show the number of proposed employees in every job classification.
- E. It shall be so arranged as to show comparative figures for actual and estimated income and expenditures for the current fiscal year and actual income and expenditures of the preceding 4 fiscal years.
- F. It shall indicate proposed expenditures during the ensuing fiscal year, detailed by offices, departments and agencies, in terms of their respective work programs and the methods of financing such expenditures.
- G. It shall indicate proposed capital expenditures during the ensuing fiscal year, detailed by offices, departments and agencies when practicable, and the proposed method of financing each such capital expenditure. The Mayor will include this separate capital program section in the annual budget and submit to Council with

appropriate supporting information as to the necessity for such programs.

H. It shall indicate anticipated net surplus or deficit for the ensuing fiscal year of each utility owned or operated by the City and the proposed method of its disposition; subsidiary budgets for each such utility giving detailed income and expenditure information shall be attached as appendices to the budget. The total of proposed expenditures shall not exceed the total of estimated income. (*Charter*, 11/3/1993, §904)

§905. City Council Action on Budget.

1. **Notice and Hearing.** Council shall publish in one or more newspapers of general circulation in the City the general summary of the budget with a notice stating:

A. The times and places where copies of the budget message and budget document are available for inspection by the public.

B. The time, place and date, not less than 15 days or more than 30 days after such publication, for a public hearing on the budget. The public hearing shall not be on the date of a regular Council meeting.

C. The proposed budget shall be available for public inspection at City Hall and copies shall be available for the public at a reasonable fee to be set by the Council.

2. Amendment Before Adoption.

A. After the public hearing, the City Council may adopt the budget, with or without amendment. In amending the budget, it may add or increase programs or amounts and may delete or decrease any programs, or amounts, except expenditures required by law or for debt service or for an estimated cash deficit, provided that no amendment to the budget shall increase the authorized expenditures to an amount greater than total estimated income and thereby allowing for line item changes by the City Council.

B. If the amended budget increases, decreases or readjusts funding requirements by more than 5%, or adds or deletes a program, the Budget shall be returned to the Mayor immediately for comment and resubmission to the Council within 3 normal City work days.

C. Council shall provide for another public hearing to be held within 5 days after the Mayor has resubmitted the Budget.

3. **Adoption.** Council must adopt an annual budget by no later than December 15 of the fiscal year currently ending. If Council fails to adopt a budget by December 15 then the Mayor's original proposed balanced budget shall become the official budget of the City for the ensuing fiscal year.

(*Charter*, 11/3/1993, §905)

§906. Revised Budget.

Notwithstanding any other provisions of this Article, when the fiscal year of the City is the calendar year, in any year following a municipal election year the Council may, within 45 days after the start of the fiscal year, revise the budget and tax levies adopted by the previous Council. The procedures for adopting a revised budget shall be in accordance

with §905 within the time periods adjusted to 45 days after the start of the fiscal year. Ordinances adopting a revised budget shall be effective as of the start of the fiscal year and shall rescind and replace the budget ordinance of the previous Council. It is the intent of this Charter that a new Council, in the year following a municipal election, shall have the power to revise the budget and tax levies adopted by the previous Council. (Charter, 11/3/1993, §90)

§907. Appropriation and Revenue Ordinance.

For 1996, this Charter shall provide for collection of income from real estate taxes which, in total amount, does not exceed 105% of the real estate tax income actually collected by the City during 1995. For those years following 1996, it shall provide for collection of income from real estate taxes which, in total amount, does not exceed 105% of the real estate tax income actually collected in the previous year. Any collection of income from the real estate tax by the City in excess of the amounts allowed by this section shall not be expended but shall be retained for use in the subsequent year and be used in the next year subsequent to reduce the amount of income needed by the City in said subsequent year. With the approval of the Court of Common Pleas, upon good cause shown, or by referendum or Charter review, the City may increase the amount of income collected, notwithstanding the provisions of this Section. (Charter, 11/3/1993, §907)

§908. Amendment After Adoption.

1. Emergency appropriations may be made by the Council to meet a public emergency posing a sudden, clear and present danger to life or property. Such appropriations may be made by emergency ordinance in accordance with the provisions of §220 of this Charter.
2. Supplemental appropriations may be made by the Council by ordinance upon certification by the Mayor that there are available for appropriate revenues in excess of those estimated in the budget.
3. Transfer of appropriations may be made in accordance with provision of the Administrative Code [Chapter 1, Part 1]. (Charter, 11/3/1993, §908)

City of Reading
Summary of 2007 Findings and Recommendations

	2006	2005	2004
2007 Findings:			
07- 1 Modified Accrual/Full Accrual Basis of Accounting	M		
07- 2 Grant Receipts	06-3	05-4	04-5
07- 3 Grant Tracking & Monitoring			
07- 4 Pension Reporting	06-4		
07- 5 Pension Compliance			
07- 6 Unclaimed Property	M		
07- 7 Segregation of Duties - Bank Reconciliations			
07- 8 DCED Reporting Requirements			
07- 9 Employee Records			
07- 10 Journal Entries	M		
07- 11 Information Technology	06-6		
07- 12 Utility Billing Data	06-2	05-3	04-6

2007 Management Letter:

M	Implementation of Anti-Fraud Policies			
M	Conflict-of-Interest Policies			
	SAS Pronouncements/Internal Control			
M	Documentation	M		
M	Financial Analysis & Accrual Reporting	M		
M	Journal Entries	M		
M	Program Loans & Other Receivables	M	M	
	Accounting Manual & Cross-Training of Key			
M	Positions	M	M	
M	Compensated Absences/OPEB	M	M	M
M	Internal Audit Function	M	M	M

M - Management Letter item

In addition, it is important to note that over the years, standards have become tighter. What may not have been considered a reportable finding 4 years ago, may have been elevated to a finding in recent years as required by the change in auditing standards.

Also of note is that the City should be preparing for the implementation of the OPEB standard that has been highlighted in management letters since the standard's release.